

SECTION 570: LEVIES AND WARRANTS OF DISTRRAINT

1. General Description. Levies and warrants of distraint are remedies taken by the State and Federal governments against individuals and organizations to satisfy the payment of governmental debts. The State Comptroller is notified by governmental agencies to withhold funds payable to vendors and to remit the withholdings to the appropriate agency to satisfy the vendor's indebtedness to the government. The three governmental agencies which commonly serve levies on the State Comptroller are:
  - (a) Internal Revenue Service, Department of the Treasury, United States Government (IRS).
  - (b) Department of Taxation, State of Hawaii (Taxation).
  - (c) Department of Labor and Industrial Relations, State of Hawaii (DLIR).
2. Scope.
  - (a) As stated in the general description, the levies and warrants of distraint covered in this section are for action taken by the State and Federal governments against individuals and organizations to satisfy the payment of governmental debts.
  - (b) This section does not cover levies and other garnishment-type documents served on the State Comptroller as the employer of employees who have become indebted to the government; these employee-related documents are processed as part of the State's payroll system.
3. Authority. The authority to withhold funds payable to vendors is provided for in the following statutes:
  - (a) Internal Revenue Service: Chapter 6332, Internal Revenue Code.
  - (b) Department of Taxation: Section 231-25, Hawaii Revised Statutes (HRS).
  - (c) Department of Labor and Industrial Relations: Section 383-71, HRS.
4. Forms Used. The forms that are used by the government agencies are:
  - (a) IRS: (1) NOTICE OF LEVY, Form 668-A.  
(2) RELEASE OF LEVY, Form 668-D.
  - (b) Taxation: (1) NOTICE OF LEVY, Form D-59.  
(2) RELEASE OF LEVY, Form D-59C.
  - (c) DLIR: WARRANT OF DISTRRAINT.

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5. Procedures. The following procedures are considered in processing governmental claims against individuals and organizations to satisfy payment of debts to the governments.
- (a) Governmental levies against vendor claims are served directly to the departments and agencies that purchase goods or services from vendors-in-debt, and a copy of the levy document is sent to the State Comptroller. The original levy document is used to support the claim on the SUMMARY WARRANT VOUCHER (SWV).
  - (b) SWV claims for levies and warrants of distraint submitted by departments for Purchase Order (P.O.) commitments must be supported by the levy document in order that State warrants can be properly paid to the levying agency.
  - (c) Adjustments for SWVs which are in process for payment when a levy or warrant of distraint is served are discussed and settled between the departments and DAGS Accounting Division through its Pre-Audit Branch staff. Some types of adjustments are:
    - (1) If a SWV (COMPUTER) payment to a vendor is to be redirected to the levying agency, the department may request that the SWV be returned to the department for deletion of the vendor-in-debt and request that other payees on the SWV be paid.
    - (2) If a SWV (MANUAL) payment to a vendor is to be redirected to the levying agency, the department may request that the SWV be returned or that the payment be redirected to the levying agency.
    - (3) If a SWV (MANUAL) requires a split payment, each payee (the vendor-in-debt and the levying agency) is entered separately on the SWV.
    - (4) If a SWV (MANUAL) total amount payable to the vendor-in-debt is to be submitted to the levying agency, DAGS Accounting Division will correct the data and make the necessary changes on the SWV for the benefit of the levying agency.

In all cases, the Pre-Audit Branch advises the department of any change made to the department's SWV.